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Committee on Government Reform
U.S. House of Representatives
June 2, 2003

ANALYSIS

Estimated Tax Savings of Bush Cabinet under the New Tax Law

On May 22, 2003, the House of Representatives and the Senate passed tax legislation that included $320 billion in tax cuts.[1] The final tax cut bill was signed into law by President Bush on May 28, 2003.[2] The largest component of the new tax law is the reduction of tax rates on both capital gains and dividend income. The law also includes the acceleration of future tax cuts, as well as new tax reductions for businesses.

This capital gains and dividend tax cut will have virtually no impact on the average American. The vast majority of Americans (88%) report no capital gains on their tax returns.[3] These taxpayers will receive no tax savings at all from the reduction in taxes on capital gains. Similarly, most Americans (75%) will receive no tax savings from the reduction of taxes on dividends.[4]

While the average American will derive little, if any, benefit from the cuts in dividend and capital gains taxes, the law offers significant benefits to the wealthy. For example, the top 1% of taxpayers will receive an average tax cut of almost $21,000 each.[5] In particular, some of the major beneficiaries of this plan will be Vice President Cheney, President Bush, and other members of the cabinet. Based on 2001 and 2002 dividends and capital gains income, Vice President Cheney, President Bush, and the cabinet are estimated to receive an average tax cut of at least **$42,000** per year. Their average tax savings equals the median household income in the United States.[6]

Some members of the cabinet receive particularly large tax breaks. Vice President Cheney is estimated to save over **$116,000** each year in taxes. Treasury Secretary John Snow will receive an even larger estimated annual tax savings, over **$330,000** per year. In total, the President and his cabinet are estimated to receive a total tax cut of **$800,993 to $3.2 million** per year under the newly enacted reductions on capital gains and dividend taxes.

The estimates of tax savings in this analysis are based on publicly available information about the level of dividend and capital gains income received by Vice President Cheney, President Bush, and the cabinet. In the case of the Vice President and the President, this information comes from their 2002 tax returns, which they released to the public in 2003. In the case of cabinet members, the amount of each cabinet member's dividends and capital gains was estimated using public financial disclosure reports (SF 278) filed with the Office of Government Ethics in May and June 2002 or, in the case of Secretary Ridge and Secretary Snow, in January 2003. The analysis assumes that Vice President Cheney, President Bush, and the cabinet members continue to receive the same level of dividend and capital gain income in future years.[7]

The following chart shows the estimated tax savings for the Vice President, the President, and each cabinet member.

Estimated Dividend and Capital Gains Tax Savings for Vice President Cheney, President Bush, and the Cabinet

Name	Position	Estimated Dividends and Capital Gains	Estimated Tax Savings
George W. Bush	President	$23,947	$5,651
Dick Cheney	Vice President	$493,798	$116,002
John Snow	Sec. of Treasury	$5.5 million - $7.7 million	$331,594 - $842,377
Colin Powell	Sec. of State	$1.25 million - $8.95 million	$109,506 - $670,150
Donald Rumsfeld	Sec. of Defense	$1.3 million - $8.4 million	$87,327 - $604,059
Donald Evans	Sec. of Commerce	$625,448 - $4.6 million	$68,370 - $595,843
Christine Whitman	EPA Admin.	$527,428 - $3.5 million	$32,444 - $187,214
Elaine Chao	Sec. of Labor	$223,413 - $1.3 million	$21,074 - $82,939
Tommy Thompson	Sec. of HHS	$143,001 - $268,782	$6,590 - $13,072
Robert Zoellick	U.S. Trade Rep.	$36,002 - $117,500	$4,676 - $15,315
John Ashcroft	Attorney General	$50,000 - $100,000	$7,500 - $15,000
Mel Martinez	Sec. of HUD	$34,000 - $98,200	$8,024 - $23,175
Gale Norton	Sec. of the Interior	$15,800 - $54,800	$864 - $3,383
Tom Ridge	Sec. of Homeland Sec.	$10,106 - $30,000	$560 - $1,875
Norman Mineta	Sec. of Transportation	$1,600 - $5,700	$240 - $855
Anthony Principi	Sec. of Veterans Aff.	$1,400 - $2,200	$330 - $519
Rod Paige	Sec. of Education	$1,000 - $2,500	$150 - $375
Spencer Abraham	Sec. of Energy	$402 - $2,000	$60 - $300
Ann Veneman	Sec. of Agriculture	$200 - $2,000	$30 - $300
Total		**$10.2 million - $35.7 million**	**$800,993 - $3.2 million**
Avg. per member		**$537,163 - $1.9 million**	**$42,158 - $167,284**

1 H.R. 2, *Jobs Growth and Reconciliation Relief Act of 2003* (May 22, 2003).

2 Public Law No. 108-27.

3 Internal Revenue Service, *Individual Income Tax Returns, Preliminary Data, 2001* (Apr. 2003).

4 *Id.* The law reduces tax rates on dividends and capital gains to 15% (5% for the lowest tax brackets). Currently, dividends are taxed at ordinary income rates and capital gains are taxed at a 20% rate (10% for the lowest tax brackets).

5 Urban-Brookings Tax Policy Center, *Conference Agreement on the Jobs and Growth Tax Reconciliation Relief Act of 2003: Distribution of Income Tax Change by Percentiles* (May 22, 2003).

6 The average tax savings for each cabinet member is between $42,148 and $167,284. The median household income in the United States in 2001 was $42,228. U.S. Census, *Money Income in the United States, 2001* (2002).

[7] The estimates in this analysis should be considered to be probable approximations of the actual tax benefits Vice President Cheney, President Bush, and the cabinet would receive. Once source of uncertainty in the estimates is the difference in how short-term and long-term capital gains are taxed. Short-term capital gains are taxed as ordinary income at the taxpayer's marginal tax rate. Long-term capital gains, however, are currently taxed at a rate of 20% for most taxpayers. In 2000, the last year for which data is available, 10% of all capital gains reported to the Internal Revenue Service were short-term gains, and 90% were long-term gains. Internal Revenue Service SOI Bulletin, *Individual Income Tax Returns 2000* (Dec. 2002). Since their financial disclosure forms do not distinguish between short-term and long-term capital gains, this analysis assumes that this same ratio applies to the cabinet members.